



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
03/21/2024
Employer ID number:

Form you must file:
1120

Tax years:
All

Person to contact:

Release Number: 202424022
Release Date: 6/14/2024
UIL Code: 501.00-00,
501.03-00, 501.03-30

Dear :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437
Redacted Letter 4034
Redacted Letter 4038



Department of the Treasury
Internal Revenue Service
PO Box 2508
Cincinnati, OH 45201

Date: 01/08/2024

Employer ID number:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Legend:

B = Attested Formation Date

C = State

D = Actual Formation Date

E = Members

f dollars = Membership Fee

g dollars = Portion of Membership Fee

H = Related Organization

J = Age

UIL:

501.00-00

501.03-00

501.03-30

Dear :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(3). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(c)(3)? No, for the reasons stated below.

Facts

You submitted Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

You attest that you were incorporated on B, in the state of C. You attest that you have the necessary organizing document, that your organizing document limits your purposes to one or more exempt purposes within the meaning of the IRC Section 501(c)(3), that your organizing document does not expressly empower you to engage in activities, other than an insubstantial part, that are not in furtherance of one or more exempt purposes, and that your organizing document contains the dissolution provision required under Section 501(c)(3).

You attest that you are organized and operated exclusively to further charitable purposes. You attest that you have not conducted and will not conduct prohibited activities under IRC Section 501(c)(3). Specifically, you attest you will:

- Refrain from supporting or opposing candidates in political campaigns in any way
- Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals
- Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s)
- Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a Section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in Section 501(h)
- Not provide commercial-type insurance as a substantial part of your activities

On your Form 1023-EZ, you stated that you are a weekly _____ league.

Detailed information was subsequently requested. You provided additional information about your activities.

Your Articles of Incorporation (AOI) show you were formed on D. Originally, your AOI did not contain a proper purpose clause. Moreover, your AOI stated that upon dissolution, your assets will be distributed among the league roster. You attested, under penalties of perjury, that your AOI was amended to include the proper purpose and dissolution clauses.

You play nine holes of golf weekly at a local golf course starting in the springtime and ending in fall. Additionally, you have six potlucks (one each month) at a member's home for the purpose of socializing with other members. You have E members.

Your members pay a fee of f dollars to participate in the league. Of that, g dollars goes to H for membership. The remaining balance goes for weekly prizes paid to individual members. The money is spent in the pro shop only. In addition, money collected is used for other social events which sometimes includes other leagues in your area.

All your time is spent on golfing and other social/recreational activities. The activities provide members with the ability to improve their handicaps along with the social activity of golfing with other women that enjoy golf. The golf league is directed to any women that wants to play in a nine-hole league. Approximately half of your members are seniors; aged J years or older.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for religious, charitable, or other purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

IRC Section 501(j)(1) provides generally that a "qualified amateur sports organization" that otherwise satisfies the requirements of Section 501(c)(3) will qualify as exempt regardless of whether it provides athletic facilities or equipment and regardless of whether its membership is local or regional in nature.

IRC Section 501(j)(2) defines a “qualified amateur sports organization” as an organization organized and operated primarily to conduct or to support and develop amateur athletes for national or international competition in sports.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) states that, in order to be exempt as an organization described in IRC Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in IRC Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Revenue Ruling 64-275, 1964-2 C.B. 142, held an organization formed for the purpose of training suitable candidates in the techniques of racing sailboats in national and international competition, and thereby improving the caliber of candidates representing the United States in Olympic and Pan-American games, qualifies for exemption as an educational organization described in IRC Section 501(c)(3).

Rev. Rul. 65-2, 1965-1 C.B. 227, described an organization that is organized and operated for the purpose of teaching a particular sport to children under the ages of 18 by holding clinics conducted by qualified instructors. The organization was recognized as an organization described in IRC Section 501(c)(3) because it is exclusively charitable and educational.

Rev. Rul. 70-4, 1970-1 C.B. 126, described an organization engaged in promoting and regulating a sport for amateurs. The organization's stated purposes were to promote the health of the general public by encouraging all persons to improve their physical condition and fostering public interest in a particular sport. Its activities were directed toward promoting sport tournaments, exhibitions and holding instructive clinics. The organization did not qualify for exemption under IRC Section 501(c)(3).

Rev. Rul. 77-365, 1977-2 C.B. 192, held that an organization formed to conduct clinics, workshops, lessons, and seminars at municipal parks and recreational areas to instruct and educate individuals in a sport may qualify for exemption under IRC Section 501(c)(3). The organization does not establish rules, set standards for equipment, or sponsor league competition for the sport in which it provides instruction.

Rev. Rul. 80-215, 1980-2 C.B. 174, described an organization that was formed to develop, promote, and regulate a sport for youth under the ages of 18 and to promote sportsmanlike competition among the players. Additionally, it promulgated rules, organized officials, and presented seminars for players and coaches and referees. The organization combatted juvenile delinquency by providing a recreational outlet for the young people, which is a charitable purpose. Furthermore, the organization was educational because it taught and developed the skills of the youth.

In Hutchinson Baseball Enterprises, Inc. v. Commissioner, 696 F.2d. 757 (1982), the court held that an organization that promoted recreational and amateur sports was exempt as a charitable organization under IRC Section 501(c)(3). The organization undertook numerous activities to promote the sport of baseball and the

court found that the purpose of promoting sports predominated over subsidiary purposes, such as members' recreational or social benefit.

In Media Sports League, Inc. v. Commissioner, T.C. Memo 1986-568 (1986), the court ruled that an organization that sponsored sports competitions for adults in the community was not exempt under IRC Section 501(c)(3). The court found that the organization had the substantial nonexempt purpose of promoting the social and recreational interests of its members.

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests to qualify for exempt status. An organization must be both organized and operated exclusively for purposes described in Section 501(c)(3). You have failed to meet the operational test, as explained below.

You do not meet the operational test under IRC Section 501(c)(3) because you are not operating exclusively for exempt purposes as required under Treas. Reg. Section 1.501(c)(3)-1(c)(1). Your activities consist of organizing and operating an adult golf league, which is neither exclusively educational nor charitable.

An organization conducting a sport for adults may be exemption under IRC Section 501(c)(3) if its activities are directed primarily toward the instruction or teaching of the sport. See Rev. Rules 64-275 and 77-365. However, you are unlike the organizations described in those rulings because you do not provide a training program which prepares participants for national and international competitions. Your events are for social and recreational purposes and are not intended for the furthering of competition at higher levels. Further, while you are promoting the teaching of the sport of golf, you are also formed to encourage participation in regular league play. You are formed and operate for the recreational and social purposes of your members. See Hutchinson Baseball Enterprises v IRS.

An organization teaching or conducting sports may also be exempt under IRC Section 501(c)(3) if its activities are directed primarily at youth participants. You are unlike the organizations described in Rev. Rul. 65-2 and Rev. Rul. 80-215 because your recreational activities are for adults only. Although approximately half of your members are seniors, the percentage is not high enough to determine that you operate exclusively for a charitable class. Further, your events and membership is not limited in any way to a particular age range or charitable class. See also Media Sports v IRS. You are like the organization described in Rev. Rul. 70-4, which did not qualify for exemption under IRC Section 501(c)(3), because you provide a recreational golf league for adults.

Finally, while you are teaching and promoting the sport of golf you are not participating in any national or international competitions or developing athletes further for these types of competitions. An organization whose primary purpose is the support and development of amateur athletes for participation in international competition can qualify under IRC Section 501(j). Organizations whose primary purpose is the recreation of their members or whose facilities are used primarily by casual athletes will not qualify. As your league play is local and primarily recreational in nature you do not meet the requirements for an amateur athletic organization that would qualify under Section 501(j)(1) or 501(j)(2).

Conclusion

Based on the above facts and analysis, you do not qualify for exemption under IRC Section 501(c)(3) because you are not operated exclusively for exempt purposes within the meaning of Section 501(c)(3). You fail the

operational test because your recreational activities further a substantial non-exempt purpose. Accordingly, you do not qualify for exemption under Section 501(c)(3).

If you agree

If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization:
Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, *How to Appeal an IRS Determination on Tax-Exempt Status*.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
PO Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements